

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-10 IO-13 NEA-11 NSAE-00 ICA-11
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 L-03 OIC-02 DOE-15 SOE-02 STR-07
/140 W

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R 100118Z JUN 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 3037

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E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: OECD AD HOC STEEL GROUP: JUNE 9 MEETING OF
EXPERTS

1. JUNE 9 EXPERTS MEETING WAS DEVOTED TO TWO ITEMS:
(L) THE ANALYTICAL STUDIES WHICH THE SECRETARIAT WILL
UNDERTAKE TO SUPPORT THE AD HOC OR SUCCESSOR GROUP'S
EXAMINATION OF POLICY ISSUES AND (2) PROBLEMS ENCOUNTERED
IN STARTING UP THE RAPID INFORMATION SYSTEM WHICH
WAS IMPLEMENTED AT THE END OF 1977. WITH RESPECT TO
BOTH OF THE ABOVE, IT WAS AGREED THAT A CLOSE LINKAGE
SHOULD BE MAINTAINED WITH THE DELIBERATIONS AND MEETING
SCHEDULE OF THE PARENT POLICY GROUP, BUT THAT THE
UNSETTLED MANDATE AND IRREGULAR MEETINGS THUS FAR OF
THE STEEL GROUP POSE A PROBLEM IN PROVIDING TIMELY AND
RELEVANT REPORTS FOR ITS CONSIDERATION.

2. ANALYTICAL STUDIES: DELS AGREED WITH SECRETARIAT
THAT EARLY EMPHASIS SHOULD BE GIVEN TO AN OVERVIEW
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OF THE TOPICS PROPOSED IN DOCUMENT CES/78.41 (STEEL
PRICING AND THE ADJUSTMENT PROCESS IN THE STEEL INDUSTRY
TO SUPPLY/DEMAND AND STRUCTURAL CHANGE). THE
ANALYSIS COULD THEN BE PROGRESSIVELY DEEPENED AND
THE FOCUS DIRECTED TOWARD THE NEEDS OF THE POLICY
GROUP AS THEY DEVELOP. THUS THE STUDIES AND POLICY
DISCUSSIONS ARE EXPECTED TO PROCEED IN AN ITERATIVE

PROCESS. SECRETARIAT WILL ISSUE ITS FIRST REPORTS TOWARD THE END OF 1978, THE EXACT TIMING TO BE COORDINATED WITH THE REQUIREMENTS OF THE STEEL GROUP.

3. SEVERAL DELEGATIONS SUGGESTED THAT STRUCTURAL CHANGE BE LOOKED AT ON DISAGGREGATED RATHER THAN ON A CRUDE STEEL BASIS. THEY POINTED OUT THAT ENERGY DEVELOPMENTS ARE REDUCING STEEL CONTENT OF CARS BUT RAISING DEMAND FOR STEEL IN PIPELINES AS NEW OIL AND GAS FIELDS ARE OPENED UP, AND THAT LDC STEEL PRODUCTION TENDS TO REPLACE IMPORTS IN SOME PRODUCTS WHILE LDC IMPORTS OF OTHER PRODUCTS RISE AS ECONOMIC DEVELOPMENT PROGRESSES. JAPANESE DEL URGED THAT ANALYSIS OF STRUCTURAL CHANGE GIVE DUE CONSIDERATION TO AGE STRUCTURE AND EFFICIENCY OF PLANT. HE ADDED THAT SUPPLY STUDIES SHOULD NOTE THAT THE STEEL INDUSTRY OFTEN AFFECTS THE PROSPECTS AND DEVELOPMENT OF THE CONSUMING SECTORS AS WELL AS THE REVERSE AND THAT CAPACITY EXPANSION OFTEN REFLECTS THE PSYCHOLOGY OF WHAT STEELMAKERS THINK ABOUT FUTURE DEMAND -- WHICH WILL BE AFFECTED BY THE OECD PROJECTIONS. EC, U.S., JAPAN, AND CANADA ALL OFFERED TO PROVIDE STEEL STUDIES NOW IN PROGRESS FOR USE IN OECD ANALYTICAL WORK. SECRETARIAT WILL ALSO DRAW ON INTERFUTURES REPORTS TO BE ISSUED THIS FALL ON STEEL, AUTOMOBILES, SHIPBUILDING AND OTHER RELATED INDUSTRIES. SEVERAL DELEGATIONS EXPRESSED LIMITED OFFICIAL USE

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DOUBT ABOUT AVAILABILITY OF DATA ON COSTS, PRICES, AND COMPANY FINANCES AND MENTIONED THE PROBLEM POSED BY DIVERSIFIED COMPANIES IN ANALYZING RATES OF RETURN. U.S. SUGGESTED THAT CASE STUDIES COMPARING COMPANIES IN MEMBER COUNTRIES WHICH HAD DIVERSIFIED IN SIMILAR WAYS MIGHT BE POSSIBLE.

4. DELS AGREED THAT EXISTING STEEL FORECASTS ARE VIRTUALLY USELESS. SECRETARIAT IS THINKING OF DEVELOPING A NEW FORECAST TAKING OUTSIDE FORECASTS INTO ACCOUNT BUT CORRECTING FOR THE CONDITIONS AND OBJECTIVES FOR WHICH THEY WERE MADE. IT WILL PROBABLY BE A TREND RATHER THAN A SPOT FORECAST WITH SOME DISAGGREGATION BY PRODUCT WHERE SUFFICIENT DATA FOR SUCH AN ANALYSIS ARE AVAILABLE.

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5. RAPID INFORMATION SYSTEM: U.S. AND OTHER DELS
PROMISED AND URGED OTHERS TO MAKE BETTER EFFORTS TO
SUBMIT QUALITATIVE INFORMATION AND TO TIME SUBMISSIONS
TO MESH WITH SECRETARIAT REPORTS FOR STEEL GROUP MEET-
INGS. IT WAS AGREED THAT MORE SETTLED SCHEDULE IN
FUTURE WILL IMPROVE INCENTIVES TO PROVIDE QUALITATIVE
STATEMENTS. SOME DELEGATIONS NOTED THAT SOME ITEMS
OF DATA BECAME AVAILABLE FOR A GIVEN MONTH LONG BEFORE
OTHERS AND THAT THERE HAD BEEN SOME DIFFICULTY IN DECID-
ING WHEN ENOUGH OF THE QUESTIONNAIRE COULD BE COMPLETED
TO MAKE IT WORTH SUBMITTING. EC CONTINUES TO HAVE
DIFFICULTIES WITH TWO MEMBER STATES WHICH REPORT LATE
TO THE COMMISSION. U.S. SUGGESTED THAT SECRETARIAT
PROVIDE MONTHLY STATISTICAL REPORT REGARDLESS OF MEET-
ING SCHEDULE SO THAT DATA ALREADY 2-3 MONTHS BEHIND
WHEN SUBMITTED DOES NOT BECOME EVEN STALER. U.S. ALSO
URGED THAT RAPID INFORMATION SYSTEM, WHICH ADDRESSES THE
CURRENT TRADE PROBLEMS, BE GIVEN PRIORITY IN THE
SECRETARIAT OVER LONGER TERM STUDIES. ACCORDING TO
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SECRETARIAT, LATE SUBMISSION OF DATA, RATHER THAN ITS
RESOURCES TO HANDLE THE SYSTEM, HAS BEEN THE MAIN CAUSE
OF DELAY. SECRETARIAT URGED DELS TO SUBMIT INFORMATION
THAT IS CONSISTENT OVER TIME AND SUGGESTED THAT IN

FUTURE IT MIGHT BE PREFERABLE FOR EXPERTS TO MEET AHEAD
OF POLICY GROUP SO THAT ANY INACCURACIES IN SECRETARIAT
REPORTS COULD BE CORRECTED BEFORE PRESENTATION TO
PARENT GROUP.
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